

Audited Financial Statements and  
Other Financial Information

Kittery School Department

June 30, 2010



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KITTERY SCHOOL DEPARTMENT

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JUNE 30, 2010

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## INDEPENDENT AUDITORS' REPORT

November 19, 2010

Kittery School Committee  
Kittery School Department  
Kittery, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kittery School Department, a department of the Town of Kittery, Maine as of and for the year ended June 30, 2010, which collectively comprise the Department's basic financial statements as listed in the table of contents. The Kittery School Department is included in the Town of Kittery, Maine's financial statements which have a year-end of June 30, 2010. These financial statements are the responsibility of the Kittery School Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Kittery School Department are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kittery School Department that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the Town of Kittery as a whole and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kittery School Department as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 10 and are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiring management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kittery School Department's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*RHR Smith & Company*

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**(UNAUDITED)**

The following management's discussion and analysis of the Kittery School Department's financial performance provides an overview of the Department's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Department's financial statements.

**Financial Statement Overview**

The Kittery School Department's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

**Basic Financial Statements**

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

**Government - Wide Financial Statements**

The government-wide financial statements provide a broad view of the Department's operations in a manner that is similar to private businesses. These statements provide both short – term as well as long – term information in regards to the Department's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government – wide financial statements include the following two statements:

The Statement of Net Assets – this statement presents *all* of the government's assets and liabilities with the difference being reported as net assets.

The Statement of Activities – this statement presents information that shows how the government's net assets changed during the period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have separate columns for the two different types of Department activities. The types of activities presented for the Kittery School Department are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Department’s basic services are reported in governmental activities, which include elementary and secondary instruction, school administration, system administration, transportation, operations and maintenance.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and / or charges to external users for goods and / or services. These activities for the Kittery School Department include the school lunch.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Kittery School Department, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Kittery School Department can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds:* Most of the basic services provided by the Department are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government – wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government’s near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Department’s finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Department.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Kittery School Department presents only two columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Department's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Department legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

*Proprietary Funds:* The Kittery School Department maintains one proprietary fund, the School Lunch Fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

*Fiduciary Funds:* These funds are used to account for resources held for the benefit of parties outside the Kittery School Department. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Department's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Fiduciary Fund Financial Statements.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a schedule of Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund.

### **Other Supplementary Information**

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

## Government-Wide Financial Analysis

Our analysis below focuses on the net assets, and changes in net assets of the Department's governmental and business-type activities. The Department's total net assets for governmental activities increased by \$260,268 from \$3.61 million to \$3.87 million. The Department's total net assets for business-type activities increased by \$24,542 from \$(103,661) to \$(79,119).

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for governmental activities to a balance of \$912,849 at the end of this year. Unrestricted net assets for business-type activities decreased to a deficit balance of \$(84,468).

**Table 1**  
**Kittery School Department**  
**Net Assets**  
**June 30,**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Assets:</b>				
Current and other assets	\$ 2,887,584	\$ 2,525,221	\$ 25,765	\$ 65,093
Capital Assets	8,024,718	8,848,330	5,349	7,664
<b>Total Assets</b>	<u>\$ 10,912,302</u>	<u>\$ 11,373,551</u>	<u>\$ 31,114</u>	<u>\$ 72,757</u>
<b>Liabilities:</b>				
Current Liabilities	\$ 2,745,053	\$ 2,101,699	\$ 110,233	\$ 176,418
Long-term Debt Outstanding	4,301,743	5,666,614	-	-
<b>Total Liabilities</b>	<u>\$ 7,046,796</u>	<u>\$ 7,768,313</u>	<u>\$ 110,233</u>	<u>\$ 176,418</u>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of related Debt	\$ 2,644,874	\$ 2,009,316	\$ 5,349	\$ 7,664
Restricted: Special Revenue Fund	191,926	164,020	-	-
Permanent Funds	102,049	103,396	-	-
Other Net Assets	926,657	1,328,506	(84,468)	(111,325)
<b>Total Net Assets</b>	<u>\$ 3,865,506</u>	<u>\$ 3,605,238</u>	<u>\$ (79,119)</u>	<u>\$ (103,661)</u>

**Table 2**  
**Kittery School Department**  
**Change in Net Assets**  
**For the Years Ended June 30,**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>				
Local assessment	\$ 12,677,946	\$ 12,832,669	\$ -	\$ -
Intergovernmental	1,173,555	1,214,288	151,900	135,722
State of Maine on behalf payments	1,164,450	1,207,086	-	-
Charges for services	32,491	38,367	258,731	274,995
Miscellaneous	1,005,299	829,625	9,257	6,870
Total Revenues	<u>16,053,741</u>	<u>16,122,035</u>	<u>419,888</u>	<u>417,587</u>
<b>Expenses:</b>				
Current:				
Instruction:				
Elementary	3,946,284	4,205,858	-	-
Secondary	2,269,610	2,311,468	-	-
District wide instruction	776,474	763,792	-	-
System administration	702,182	616,114	-	-
Operation / maintenance of plant	1,106,049	1,576,219	-	-
Transportation	540,325	496,663	-	-
Special Education	2,523,190	2,420,715	-	-
Interest on debt service	111,478	138,862	-	-
Program expenditures	1,690,212	850,421	414,830	488,446
State of Maine on behalf payments	1,164,450	1,207,086	-	-
Unallocated depreciation	924,151	999,577	-	-
Total Expenses	<u>15,754,405</u>	<u>15,586,775</u>	<u>414,830</u>	<u>488,446</u>
Change in Net Assets	299,336	535,260	5,058	(70,859)
Transfers	(39,068)	(20,817)	19,484	20,817
Net Assets - July 1	<u>3,605,238</u>	<u>3,090,795</u>	<u>(103,661)</u>	<u>(53,619)</u>
Net Assets - June 30	<u>\$ 3,865,506</u>	<u>\$ 3,605,238</u>	<u>\$ (79,119)</u>	<u>\$ (103,661)</u>

## Revenues and Expenses

Revenues for the Department's governmental activities decreased by .42%, while total expenses increased by 1.08%. Most of the Department's expenses and revenues were consistent with the previous year.

The intergovernmental revenue and local revenue for the governmental funds both had variances from last year. This was a result of less intergovernmental revenue receipts causing the department to adjust expenses for decrease receipts.

The revenues and expenses for the proprietary fund were consistent with the previous year.

### Financial Analysis of the Department's Fund Statements

*Governmental funds:* The financial reporting focus of the Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Department's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

**Table 3**  
**Kittery School Department**  
**Fund Balances - Governmental Funds**  
**June 30,**

	2010	2009
General Fund:		
Unreserved		
Designated	\$ 659,000	\$ -
Undesignated	479,239	756,113
Total General Fund	\$ 1,138,239	\$ 756,113
Nonmajor Funds:		
Permanent funds	\$ 102,049	\$ 103,396
Capital project funds	(424,834)	287,549
Special revenue funds	436,351	473,969
Total Nonmajor Funds	\$ 113,566	\$ 864,914

The general fund total fund balance increased by \$382,126 over the prior fiscal year. The non-major fund balances decreased by \$751,348 over the prior fiscal year. Most of the increase in the general fund came as a result of under-spent appropriations in instruction, maintenance and Medicaid collections.

*Proprietary funds:* The Department's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The school lunch fund, which is the only proprietary fund, had net assets for the current year of \$(79,119). This was an increase of \$24,542 from the net assets in the prior year.

### **Budgetary Highlights**

There was significant difference between the original and final budget for the general fund. The difference was the department utilizing transfers to departments for over expenditures.

The general fund actual revenues exceeded the budget by \$151,439. This was mostly a result of Medicaid revenue as this is not a budgeted item.

The general fund actual expenditures were under the budget by \$387,235. The following expenditures were under budget which accounts for most of the balance:

Operation & maintenance of plant	\$185,140
Secondary education	60,880

### **Capital Asset and Debt Administration**

#### **Capital Assets**

As of June 30, 2010, the net book value of capital assets recorded by the Department decreased by \$825,927 over the prior year. This decrease is the result of current year depreciation expense of \$926,466, additions in building improvements of \$76,844, construction in progress of \$728,762 and machinery and equipment of \$43,942. There was also reclassification to the Town of the Frisbee building net of accumulated depreciation of \$749,009.

**Table 4**  
**Kittery School Department**  
**Capital Assets (Net of Depreciation)**  
**June 30,**

	<b>2010</b>	<b>2009</b>
Land and improvements	\$ 118,093	\$ 125,860
Construction in progress	728,762	-
Buildings and improvements	6,927,629	8,471,409
Machinery and equipment	250,463	251,044
Vehicles	5,120	7,681
Total	\$ 8,030,067	\$ 8,855,994

## **Debt**

At June 30, 2010, the Department had \$5.14 million in bonds outstanding versus \$6.5 million last year, a decrease of 20.63%, as shown in Note 5 of the financial statements.

## **Economic Factors and Next Year's Budgets and Rates**

The FY 2011 budget could be impacted by reductions in state subsidy as a result of reduced state revenue projections. Curtailments in the state's biennial budget may serve to increase required local contributions and/or reductions in Department spending.

## **Contacting the Department's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Department's finances and to show the Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Department at 200 Rogers Road, Kittery, Maine 03904.

## STATEMENT A

## KITTERY SCHOOL DEPARTMENT

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 111,022	\$ -	\$ 111,022
Accounts receivable (net of allowance for uncollectibles):			
Due from other governments	151,307	9,654	160,961
Due from Town of Kittery	2,514,526	-	2,514,526
Prepaid expenses	4,725	-	4,725
Inventory	-	16,111	16,111
Due from other funds	106,004	-	106,004
Total current assets	<u>2,887,584</u>	<u>25,765</u>	<u>2,913,349</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure, and other assets not being depreciated	774,168	-	774,168
Buildings and vehicles net of accumulated depreciation	7,250,550	5,349	7,255,899
Total noncurrent assets	<u>8,024,718</u>	<u>5,349</u>	<u>8,030,067</u>
Total assets	<u>\$ 10,912,302</u>	<u>\$ 31,114</u>	<u>\$ 10,943,416</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 331,214	\$ 546	\$ 331,760
Accrued payroll	778,505	-	778,505
Deferred revenue	-	3,683	3,683
Due to other funds	-	106,004	106,004
Bond anticipation note	526,060	-	526,060
Current portion of long-term obligations	1,109,274	-	1,109,274
Total current liabilities	<u>2,745,053</u>	<u>110,233</u>	<u>2,855,286</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	4,115,000	-	4,115,000
Capital lease payable	155,570	-	155,570
Accrued compensated absences	31,173	-	31,173
Total noncurrent liabilities	<u>4,301,743</u>	<u>-</u>	<u>4,301,743</u>
Total liabilities	<u>7,046,796</u>	<u>110,233</u>	<u>7,157,029</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,644,874	5,349	2,650,223
Restricted: Special Revenue Fund	191,926	-	191,926
Permanent Funds	102,049	-	102,049
Unrestricted	926,657	(84,468)	842,189
Total net assets	<u>3,865,506</u>	<u>(79,119)</u>	<u>3,786,387</u>
Total liabilities and net assets	<u>\$ 10,912,302</u>	<u>\$ 31,114</u>	<u>\$ 10,943,416</u>

See accompanying independent auditors' report and notes to financial statements.

## KITTERY SCHOOL DEPARTMENT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities							
Current:							
Elementary education	\$ 3,946,284	\$ 23,937	\$ -	\$ -	\$ (3,922,347)	\$ -	\$ (3,922,347)
Secondary education	2,269,610	8,554	-	-	(2,261,056)	-	(2,261,056)
District wide instruction	776,474	-	-	-	(776,474)	-	(776,474)
System administration	702,182	-	-	-	(702,182)	-	(702,182)
Operation / maintenance of plant	1,106,049	-	-	-	(1,106,049)	-	(1,106,049)
Transportation	540,325	-	-	-	(540,325)	-	(540,325)
Special education	2,523,190	-	-	-	(2,523,190)	-	(2,523,190)
Interest on debt service	111,478	-	-	-	(111,478)	-	(111,478)
Program expenditures	1,690,212	-	-	-	(1,690,212)	-	(1,690,212)
State of Maine on-behalf payments	1,164,450	-	1,164,450	-	-	-	-
Unallocated depreciation	924,151	-	-	-	(924,151)	-	(924,151)
Total governmental activities	15,754,405	32,491	1,164,450	-	(14,557,464)	-	(14,557,464)
Business-type activities							
School lunch	414,830	258,731	151,900	-	-	(4,199)	(4,199)
Total business-type activities	414,830	258,731	151,900	-	-	(4,199)	(4,199)
Total government	16,169,235	291,222	1,316,350	-	(14,557,464)	(4,199)	(14,561,663)

STATEMENT B (CONTINUED)  
KITTERY SCHOOL DEPARTMENT

STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes In net assets:			
Net (expense) revenue	<u>(14,557,464)</u>	<u>(4,199)</u>	<u>(14,561,663)</u>
General revenue:			
Taxes:			
Local Assessment	12,677,946	-	12,677,946
Grants and contributions not restricted to specific programs	1,173,555	-	1,173,555
Other income	1,005,299	9,257	1,014,556
Total	<u>14,856,800</u>	<u>9,257</u>	<u>14,866,057</u>
Change in net assets	299,336	5,058	304,394
Transfers	(39,068)	19,484	(19,584)
Net assets - July 1	<u>3,605,238</u>	<u>(103,661)</u>	<u>3,501,577</u>
Net assets - June 30	<u>\$ 3,865,506</u>	<u>\$ (79,119)</u>	<u>\$ 3,786,387</u>

See accompanying independent auditors' report and notes to financial statements.

## KITTERY SCHOOL DEPARTMENT

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash	\$ 7,197	\$ 103,825	\$ 111,022
Receivables (net of allowance for uncollectibles)			
Due from other governments	-	151,307	151,307
Due from Town of Kittery	2,514,526	-	2,514,526
Prepaid expenses	4,725	-	4,725
Due from other funds	191,864	668,690	860,554
Total assets	<u>\$ 2,718,312</u>	<u>\$ 923,822</u>	<u>\$ 3,642,134</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities			
Accounts payable	\$ 132,878	\$ 198,336	\$ 331,214
Accrued payroll	778,505	-	778,505
Due to other funds	668,690	85,860	754,550
Bond anticipation note	-	526,060	526,060
Total liabilities	<u>1,580,073</u>	<u>810,256</u>	<u>2,390,329</u>
Fund Equity			
Reserved, reported in:			
Special Revenue Fund	-	191,926	191,926
Permanent funds	-	102,049	102,049
Unreserved, reported in:			
General Fund			
Designated	659,000	-	659,000
Undesignated	479,239	-	479,239
Special Revenue Fund			
Designated	-	245,492	245,492
Undesignated	-	(1,067)	(1,067)
Capital Project Fund			
Designated	-	303,928	303,928
Undesignated	-	(728,762)	(728,762)
Total fund equity	<u>1,138,239</u>	<u>113,566</u>	<u>1,251,805</u>
Total liabilities and fund equity	<u>\$ 2,718,312</u>	<u>\$ 923,822</u>	<u>\$ 3,642,134</u>

See accompanying independent auditors' report and notes to financial statements.

## KITTERY SCHOOL DEPARTMENT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<u>Total Governmental Funds</u>
Total Fund Equity	\$ 1,251,805
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	8,024,718
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(5,145,000)
Capital lease payable	(234,844)
Accrued compensated absences	<u>(31,173)</u>
Net assets of governmental activities	<u>\$ 3,865,506</u>

See accompanying independent auditors' report and notes to financial statements.

## KITTERY SCHOOL DEPARTMENT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Other Governmental Funds	Totals Governmental Funds
<b>REVENUES</b>			
Local support from Towns	\$ 12,677,946	\$ -	\$12,677,946
Intergovernmental revenues	2,338,005	-	2,338,005
Charges for service	32,491	-	32,491
Other revenue	78,116	927,183	1,005,299
<b>TOTAL REVENUES</b>	<b>15,126,558</b>	<b>927,183</b>	<b>16,053,741</b>
<b>EXPENDITURES</b>			
Current:			
Elementary Education	4,061,002	-	4,061,002
Secondary Education	2,269,610	-	2,269,610
District wide instruction	776,474	-	776,474
System administration	702,182	-	702,182
Operation / maintenance of plant	1,875,219	-	1,875,219
Transportation	540,325	-	540,325
Special Education	2,523,190	-	2,523,190
Contingency	-	-	-
State of Maine on-behalf payments	1,164,450	-	1,164,450
Debt service:			
Principal	690,000	-	690,000
Interest	111,478	-	111,478
Program expenditures	-	1,669,965	1,669,965
<b>TOTAL EXPENDITURES</b>	<b>14,713,930</b>	<b>1,669,965</b>	<b>16,383,895</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>412,628</b>	<b>(742,782)</b>	<b>(330,154)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	42,047	42,047
Operating transfers out	(25,979)	(35,552)	(61,531)
Operating transfers in/out to Town	(4,523)	(15,061)	(19,584)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(30,502)</b>	<b>(8,566)</b>	<b>(39,068)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<b>382,126</b>	<b>(751,348)</b>	<b>(369,222)</b>
<b>FUND BALANCES - JULY 1</b>	<b>756,113</b>	<b>864,914</b>	<b>1,621,027</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 1,138,239</b>	<b>\$ 113,566</b>	<b>\$ 1,251,805</b>

See accompanying independent auditors' report and notes to financial statements.

## KITTERY SCHOOL DEPARTMENT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (369,222)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocated those expenditures over the life of the assets:	
Capital asset purchases capitalized (net)	849,548
Capital assets disposed	(749,009)
Depreciation expense	<u>(924,151)</u>
	<u>(823,612)</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	<u>-</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	<u>1,459,170</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>(6,068)</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ 260,268</u></u>

See accompanying independent auditors' report and notes to financial statements.

## KITTERY SCHOOL DEPARTMENT

BALANCE SHEET – PROPRIETARY FUNDS  
JUNE 30, 2010

	<u>Enterprise Funds</u>
	School
	<u>Lunch</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ -
Investments	-
Accounts receivable	9,654
Inventory	16,111
Due from other funds	-
Total current assets	<u>25,765</u>
Noncurrent assets	
Machinery and equipment	<u>98,255</u>
Total capital assets	98,255
Less: accumulated depreciation	<u>(92,906)</u>
Net capital assets	<u>5,349</u>
Total assets	<u>\$ 31,114</u>
<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities:	
Accounts payable	\$ 546
Accrued payroll	-
Deferred revenue	3,683
Due to other funds	<u>106,004</u>
Total current liabilities	<u>110,233</u>
Total liabilities	<u>110,233</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	5,349
Restricted	-
Unrestricted	<u>(84,468)</u>
Total net assets	<u>(79,119)</u>
Total liabilities and net assets	<u>\$ 31,114</u>

See accompanying independent auditors' report and notes to financial statements.

## KITTERY SCHOOL DEPARTMENT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Enterprise Funds</u> School Lunch
OPERATING REVENUES	
Sale of meals	\$ 258,731
State reimbursements	151,900
Other income	9,257
Total operating revenues	<u>419,888</u>
EXPENSES	
Salaries / wages	140,460
Payroll taxes / benefits	21,518
Food	195,534
Contracted service	36,919
Supplies	12,343
Depreciation and amortization	2,315
Other operating expenses	5,741
Total operating expenses	<u>414,830</u>
Operating income (loss)	<u>5,058</u>
NON-OPERATING INCOME (EXPENSE)	
Operating transfers in	19,484
Operating transfers (out)	-
Interest income	-
Interest expense	-
Total non-operating income (expense)	<u>19,484</u>
EXCESS OF OPERATING INCOME (LOSS) OVER NON-OPERATING INCOME (EXPENSE)	24,542
NET ASSETS - JULY 1	<u>(103,661)</u>
NET ASSETS - JUNE 30	<u>\$ (79,119)</u>

See accompanying independent auditors' report and notes to financial statements.

## KITTERY SCHOOL DEPARTMENT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Enterprise Funds</u>
	School
	<u>Lunch</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 274,605
Internal activity - receipts from other funds	-
Other receipts	151,900
Payments to suppliers and employees	(478,700)
Net cash provided (used) by operating activities	<u>(52,195)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	-
Net cash used by investing activities	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on bonds	-
Other internal due to / from activity	-
Operating transfers	19,484
Net cash provided by financing activities	<u>19,484</u>
NET INCREASE (DECREASE) IN CASH	(32,711)
CASH - JULY 1	<u>32,711</u>
CASH - JUNE 30	<u>\$ -</u>
NET CASH PROVIDED (USED) BY OPERATING	
Operating income (loss)	\$ 5,058
Adjustments to reconcile operating income to net	
cash provided (used) by operating activities:	
Depreciation & amortization expense	2,315
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	2,555
(Increase) decrease in inventory	4,062
(Decrease) increase in accounts payable	(32,252)
(Decrease) increase in deferred revenue	(422)
(Decrease) increase in accrued expenses	(20,867)
(Decrease) increase in due to other funds	(12,644)
NET CASH PROVIDED (USED) BY OPERATING	
ACTIVITIES	<u>\$ (52,195)</u>

See accompanying independent auditors' report and notes to financial statements.

## KITTERY SCHOOL DEPARTMENT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Agency Funds</u>
	Student Activities
	<u>                    </u>
ASSETS	
Current assets:	
Cash	\$      76,889
Investments	-
	<u>                    </u>
TOTAL ASSETS	<u>\$      76,889</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$                  -
Deposits held for others	76,889
	<u>                    </u>
	<u>76,889</u>
NET ASSETS	
Held in trust for special purposes	-
	<u>                    </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$      76,889</u>

See accompanying independent auditors' report and notes to financial statements.

KITTERY SCHOOL DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Reporting Entity***

The Kittery School Department was incorporated under the laws of the State of Maine.

The Department's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Department has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Department has chosen not to do so.

The Department's combined financial statements include all accounts and all operations of the Department. We have determined that the Department has no component units as described in GASB Statement No. 14 and amended by GASB Statement No. 39.

***Government –Wide and Fund Financial Statements***

The Department's basic financial statements include both government-wide (reporting the Department as a whole) and fund financial statements (reporting the Department's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Department's school lunch funds are categorized as a business-type activity. All other activities of the Department are categorized as governmental.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Department's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Department first utilizes restricted resources to finance qualifying activities.

KITTERY SCHOOL DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Department's functions and business-type activities (instruction, operation and maintenance, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government – wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Department does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Department as an entity and the change in the Department's net assets resulting from the current year's activities.

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

The financial transactions of the Department are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Department:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Department:

- a. The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund.

KITTERY SCHOOL DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- d. Permanent Funds are used to account for assets held by the Department in trust for specific purposes.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Department:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Department programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The Department's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

KITTERY SCHOOL DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

KITTERY SCHOOL DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Budget**

The Department's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Maine to the Maine State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

Revenues per budgetary basis	\$13,962,108
Add: On-behalf payments	<u>1,164,450</u>
Total GAAP basis	<u>\$15,126,558</u>
Expenditures per budgetary basis	\$13,581,404
Add: On-behalf payments	<u>1,164,450</u>
Total GAAP basis	<u>\$14,745,854</u>

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Department prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Town Council was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.
4. The Department does not adopt budgets for Special Revenue Funds.

KITTERY SCHOOL DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deposits and Investments**

The Department's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Department's policy to value investments at fair value. None of the Department's investments are reported at amortized cost. The Department bookkeeper is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

The Kittery School Department has no formal investment policy but instead follows the State of Maine Statutes. They are in the process of adopting a more detailed investment policy.

**Inventories**

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet. The enterprise fund inventory consists of school lunch supplies and food on hand at the end of the year, valued at cost. The cost value is determined using the first-in, first-out (FIFO) method.

**Interfund Receivables and Payables**

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances". Interfund balances and transactions have been eliminated in the government-wide financial statements.

**Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

**Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2010.

KITTERY SCHOOL DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Department. The Department has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

**Long-term Obligations**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes or bonds payable and compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

KITTERY SCHOOL DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Compensated Absences**

The Department's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2010 the Department's liability for compensated absences is \$31,173.

**Reserves**

The Department records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use, which is indicated by the title of each reserves listed in the balance sheet and statement of net assets. It is the Department's policy to first use restricted assets for restricted programs and only unrestricted assets after the restricted assets have been exhausted.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Department or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Program Revenues**

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

**Operating/Non-operating Proprietary Fund Revenues**

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund.

KITTERY SCHOOL DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Department does not utilize encumbrance accounting for its general fund.

**Use of Estimates**

During the preparation of the Department's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses / expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

The Department maintains a cash pool which is available for use by all funds. In addition cash and investments may be held by other funds within the government.

The Department does not have a formal investment policy but instead follows state statutes. These statutes authorize the Department to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Department applies this to all Department funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Department will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Department does not have a policy covering custodial credit risk.

At June 30, 2010, the Department's cash balance of \$187,911 was comprised of deposits amounting to \$185,935. This amount was comprised of \$185,935 which was insured by federal depository insurance and consequently was not exposed to custodial credit risk, and zero which was collateralized with securities held in the entity's name and thus not exposed to custodial credit risk.

KITTERY SCHOOL DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 86,186
Savings	10,673
Money Market	89,076
	<u>\$ 185,935</u>

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2010 consisted of the following individual fund receivables and payables:

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General Fund	\$ 191,864	\$ 668,690
Special Revenue Fund	364,762	52,235
Capital Projects Fund	303,928	33,625
Enterprise Fund	-	106,004
	<u>\$ 860,554</u>	<u>\$ 860,554</u>

KITTERY SCHOOL DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2010:

	<b>Balance 7/1/2009</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 6/30/2010</b>
<u>Governmental activities:</u>				
Non-depreciated assets:				
Land	\$ 45,406	\$ -	\$ -	\$ 45,406
Construction in progress	-	728,762	-	728,762
	<u>45,406</u>	<u>728,762</u>	<u>-</u>	<u>774,168</u>
Depreciated assets				
Land improvements	283,371	-	-	283,371
Buildings	21,189,957	-	(2,899,969)	18,289,988
Building improvements	58,517	76,844	-	135,361
Machinery & equipment	436,451	43,942	-	480,393
Vehicles	40,602	-	-	40,602
	<u>22,008,898</u>	<u>120,786</u>	<u>(2,899,969)</u>	<u>19,229,715</u>
Less: accumulated depreciation	<u>(13,205,974)</u>	<u>(924,151)</u>	<u>2,150,960</u>	<u>(11,979,165)</u>
	<u>8,802,924</u>	<u>(803,365)</u>	<u>(749,009)</u>	<u>7,250,550</u>
Net capital assets governmental activities	<u>8,848,330</u>	<u>(74,603)</u>	<u>(749,009)</u>	<u>8,024,718</u>
<u>Business-type activities:</u>				
Depreciated assets:				
Machinery & equipment	98,255	-	-	98,255
	<u>98,255</u>	<u>-</u>	<u>-</u>	<u>98,255</u>
Less: accumulated depreciation	<u>(90,591)</u>	<u>(2,315)</u>	<u>-</u>	<u>(92,906)</u>
	<u>7,664</u>	<u>(2,315)</u>	<u>-</u>	<u>5,349</u>
Net capital assets business-type activities	<u>7,664</u>	<u>(2,315)</u>	<u>-</u>	<u>5,349</u>
Total	<u>\$ 8,855,994</u>	<u>\$ (76,918)</u>	<u>\$ (749,009)</u>	<u>\$ 8,030,067</u>

KITTERY SCHOOL DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE 5 - LONG-TERM DEBT

The General Fund of the Department is used to pay for all long-term debt. A summary of long-term debt is as follows:

	Balance, 7/1/09	Additions	Deletions	Balance, 6/30/10	Current Portion
Bonds payable	\$ 6,482,110	\$ -	\$ (1,337,110)	\$ 5,145,000	\$ 1,030,000
Capital leases payable	356,904	-	(122,060)	234,844	79,274
Accrued compensated absences	25,105	6,068	-	31,173	-
Totals	<u>\$ 6,864,119</u>	<u>\$ 6,068</u>	<u>\$ (1,459,170)</u>	<u>\$ 5,411,017</u>	<u>\$ 1,109,274</u>

The following is a summary of bonds outstanding as of June 30, 2010:

\$6,900,000, 1995 General Obligation Bond refinanced in 2006 due in annual installments and semiannual interest installments through November 2015. Interest is charged at a rate from 5.125% to 5.75% per annum.	\$ 2,070,000
\$6,950,000, 1990 General Obligation Bond due in annual installments and semiannual interest installments through November 2010. Interest is charged at a rate from 7% to 7.375% per annum.	345,000
\$4,220,000, 2002 General Obligation Bond due in annual installments and semiannual interest installments through December 2022. Interest is charged at a rate from 3.25% to 4.75% per annum.	<u>2,730,000</u>
Total Long Term Debt	<u>\$ 5,145,000</u>

KITTERY SCHOOL DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE 5 –LONG TERM DEBT (CONTINUED)

The annual principal and interest requirements to amortize the bonds are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	\$ 1,030,000	\$ 221,894	\$ 1,251,894
2012	685,000	183,124	868,124
2013	555,000	154,219	709,219
2014	555,000	130,425	685,425
2015	555,000	106,369	661,369
2016-2020	1,395,000	286,800	1,681,800
2021-2025	630,000	47,250	677,250
	<u>\$ 5,405,000</u>	<u>\$ 1,130,081</u>	<u>\$ 6,535,081</u>

The bonds payable of the Department is current requirements for principal and interest expenditures are accounted for in the General Fund.

The following is a summary of capital leases outstanding as of June 30, 2010:

\$177,719, 2008 Capital Lease payable to M.S.T. Government Leasing, LLC for photocopy equipment due in annual installments of \$40,055 through August 2012. Interest is charged at a rate of 4.12% per annum.	\$ 110,904
\$182,836 2003 Capital Lease payable to Old National Bank for equipment due in annual installments of \$22,865 through July 2014. Interest is charged at a rate of 4.61 % per annum.	100,068
\$76,609, 2008 Capital Lease payable to AFS for equipment due in annual installments of \$27,201 through July 2010. Interest is charged at a rate of 3.55% per annum.	23,872
Total Capital Leases Payable	<u>\$ 234,844</u>

KITTERY SCHOOL DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE 5 – LONG TERM DEBT (CONTINUED)

The following is a summary of capital lease maturities and interest requirements:

2011	\$ 90,121
2012	62,920
2013	62,920
2014	22,865
2015	<u>22,865</u>
Total minimum lease payments	261,691
Less: Amount representing interest	<u>(26,847)</u>
Present value of future minimum lease payments	<u><u>\$ 234,844</u></u>

NOTE 6 – RESTRICTED NET ASSETS

The following net assets have been restricted at June 30, 2010 for the following purposes:

Restricted for special revenue funds	
State Stabilization	\$ 19,581
Adult education family literacy	125
Title IA	10,879
Title IA - ARRA	45,464
E-Rate	21,052
Local Entitlement	13,772
Pre - School	4,758
Title IID - Equipment	1,225
Title II Teacher Quality	24,530
Local Entitlement -ARRA	48,141
Pre - School - ARRA	547
Title IID - ARRA	<u>1,852</u>
Subtotal special revenue funds	191,926
Restricted for permanent funds	<u>102,049</u>
	<u><u>\$ 293,975</u></u>

KITTERY SCHOOL DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 7 – OVERSPENT APPROPRIATIONS

The following departmental balances were overspent at June 30, 2010:

System Administration	\$ 37,423
	<u>\$ 37,423</u>

NOTE 8 – RISK MANAGEMENT

The Department is a member of the Maine School Management Association – Worker Compensation Trust Fund (“Fund”). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund’s membership, obtain lower costs for worker’s compensation coverage and develop a comprehensive loss control program. The Department pays an annual premium to the fund for its worker’s compensation coverage. The Department’s agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial company’s reinsurance contracts, individual stop loss coverage for member Department’s for claims in excess of \$400,000 with an excess limit of \$2,000,000.

The Department is also a member of the Maine School Management Association – Property and Casualty Pool (“Pool”). As with the Fund above, the Pool was created to obtain lower rates for its members. The Department pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided after the deductible is met, to \$26,000,000. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

KITTERY SCHOOL DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 9 – DEFINED BENEFIT PENSION PLAN

**Unfunded Actuarial Accrued Liability**

The Department has no actuarial accrued liability.

**Education Employees Retirement**

All school teachers, plus other qualified educators, participate in the Maine State Retirement System's teacher group. The system is an agent multiple-employer public retirement system. Employees are eligible for normal retirement upon attaining the age of 60, provided they have 25 years of credible service. Employees are penalized 2.5% for each year of early retirement.

Employees are required to contribute 7.65% of their compensation to the retirement system. The Department is not required to make any contributions to this plan with the exception of federally funded teachers. The contribution of these federally funded teachers is the actuarial determined rate which was 17.78% for the current fiscal year.

The school department's payroll for employees covered by this group was approximately \$6,549,215 for the year ended June 30, 2010. The State of Maine is required to contribute the employer contribution which amounts to 17.78% of compensation. Contributions paid by the State were approximately \$1,164,450 for the year ended June 30, 2010. There is no contribution required by the Department, except for federally funded teachers. For the year ended June 30, 2010, the Department contributed approximately \$272,123 for these federally funded employees. The funding status and progress for the System may be obtained by contacting the Maine State Retirement System.

NOTE 10 – CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Department's financial position.

The Department participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Department's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

KITTERY SCHOOL DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 11 – DEFICIT FUND BALANCE/NET ASSETS

The following is a list of deficit fund balances/net assets as of June 30, 2010

School Lunch Fund	\$ 79,119
Mainecare - ARRA	600
Traip Trustees	2,351
Mitchell/Shapleigh Bldg Project	<u>728,762</u>
	<u>\$ 810,832</u>

NOTE 12 – DESIGNATED FUND BALANCE

Reserved for FY 2011 General Fund Budget	\$ 319,000
Reserved for FY 2011 Dedicated Maintenance Reserve	50,000
Reserved for FY 2011 Dedicated Special Education Reserve	80,000
Reserved for FY 2011 Dedicated Unemployment Reserve	<u>210,000</u>
	<u>\$ 659,000</u>

### Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual - General Fund

## KITTERY SCHOOL DEPARTMENT

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 756,113	\$ 756,113	\$ 756,113	\$ -
Revenues (Inflows):				
Local Assessments:	12,677,946	12,677,946	12,677,946	-
Intergovernmental revenues:				
State Subsidy	956,723	956,723	982,752	26,029
Medicaid	-	-	190,803	190,803
Tuition	-	-	8,554	8,554
Charges for service	-	-	23,937	23,937
Other revenue	176,000	176,000	78,116	(97,884)
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	14,566,782	14,566,782	14,718,221	151,439
Charges to Appropriations (Outflows):				
Current:				
Elementary Education	4,023,139	4,102,587	4,061,002	41,585
Secondary Education	2,291,401	2,330,490	2,269,610	60,880
District wide instruction	785,939	794,746	776,474	18,272
System administration	661,476	664,759	702,182	(37,423)
Operation / maintenance	2,062,570	2,060,359	1,875,219	185,140
Transportation	585,023	585,023	540,325	44,698
Special Education	2,522,068	2,543,001	2,523,190	19,811
Contingency	195,999	46,650	-	46,650
Debt service:				
Principal	690,000	690,000	690,000	-
Interest	111,478	111,478	111,478	-
Transfers to other funds	39,546	39,546	31,924	7,622
Total Charges to Appropriations	13,968,639	13,968,639	13,581,404	387,235
Budgetary Fund Balance, June 30	\$ 598,143	\$ 598,143	\$ 1,136,817	\$ 538,674
Utilization of undesignated fund balance	\$ -	\$ -	\$ -	\$ -
Utilization of designated fund balance	157,970	157,970	157,970	-
	\$ 157,970	\$ 157,970	\$ 157,970	\$ -

See accompanying independent auditors' report and notes to financial statements.

## Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Project Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

## KITTERY SCHOOL DEPARTMENT

SCHEDULE OF DEPARTMENTAL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Balance</u>
System Administration:			
School Board	\$ 19,678	\$ 40,001	\$(20,323)
Insurance	62,000	59,184	\$ 2,816
Superintendent's office	583,081	602,997	\$(19,916)
	<u>664,759</u>	<u>702,182</u>	<u>(37,423)</u>
District Wide Instruction -			
Health services	216,168	231,831	(15,663)
Tuition	19,000	5,335	13,665
Curriculum	116,992	118,964	(1,972)
Student assessment	9,000	9,591	(591)
Technology	416,779	396,783	19,996
Staff training	16,807	13,970	2,837
	<u>794,746</u>	<u>776,474</u>	<u>18,272</u>
Special Education -			
Administration	488,984	408,787	80,197
Instruction regular	178,369	160,824	17,545
Resouce Room	1,321,561	1,440,923	(119,362)
Self contained	5,665	4,653	1,012
Social worker	41,615	46,360	(4,745)
Psychological therapy	74,868	84,023	(9,155)
Behavior strategist	116,466	95,654	20,812
Speech therapy	187,664	184,934	2,730
Occupational therapy	70,680	68,340	2,340
Audiology	550	360	190
Physical therapy	25,000	8,299	16,701
ESY	31,579	20,033	11,546
	<u>2,543,001</u>	<u>2,523,190</u>	<u>19,811</u>
Student Transportation -			
District wide	585,023	540,325	44,698
	<u>585,023</u>	<u>540,325</u>	<u>44,698</u>
Debt Service -			
Principal	690,000	690,000	-
Interest	111,478	111,478	-
	<u>801,478</u>	<u>801,478</u>	<u>-</u>

SCHEDULE A (CONTINUED)

KITTERY SCHOOL DEPARTMENT

SCHEDULE OF DEPARTMENTAL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Balance</u>
Operation & Maintenance -			
District Wide	192,398	190,179	2,219
Frisbee Elementary	228,551	259,476	(30,925)
Mitchell Elementary	680,837	629,258	51,579
Shapleigh Middle School	438,409	388,723	49,686
Secondary Education	520,164	407,583	112,581
	<u>2,060,359</u>	<u>1,875,219</u>	<u>185,140</u>
Contingency -	<u>46,650</u>	<u>-</u>	<u>46,650</u>
Secondary Education -			
Administration	335,063	332,072	2,991
Instruction	1,637,789	1,566,334	71,455
Guidance	125,754	127,633	(1,879)
Library media services	109,611	118,576	(8,965)
Extra-curricular	105,303	103,212	2,091
Co-curricular	16,970	21,783	(4,813)
Homework club	-	-	-
Substance abuse	-	-	-
	<u>2,330,490</u>	<u>2,269,610</u>	<u>60,880</u>
Elementary Education -			
Administration	427,844	414,846	12,998
Regular instruction	3,293,104	3,277,001	16,103
K-2 instruction	8,803	6,912	1,891
Guidance	187,081	189,779	(2,698)
Library media services	123,235	114,519	8,716
Extra-curricular	25,906	23,264	2,642
Co-curricular	3,147	3,935	(788)
Homework club	5,403	2,678	2,725
ESL	28,064	28,068	(4)
Field trips	-	-	-
	<u>4,102,587</u>	<u>4,061,002</u>	<u>41,585</u>
Totals	<u>\$ 13,929,093</u>	<u>\$ 13,549,480</u>	<u>\$ 379,613</u>

See accompanying independent auditors' report and notes to financial statements.

## KITTERY SCHOOL DEPARTMENT

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 1,776	\$ -	\$ 102,049	\$ 103,825
Accounts receivable	151,307	-	-	151,307
Due from other funds	364,762	303,928	-	668,690
Total assets	<u>\$ 517,845</u>	<u>\$ 303,928</u>	<u>\$ 102,049</u>	<u>\$ 923,822</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 29,259	\$ 169,077	\$ -	\$ 198,336
Due to other funds	52,235	33,625	-	85,860
Bond anticipation note	-	526,060	-	526,060
Total liabilities	<u>81,494</u>	<u>728,762</u>	<u>-</u>	<u>810,256</u>
<b>FUND EQUITY</b>				
Fund balance				
Reserved:				
Special revenue funds	191,926	-	-	191,926
Permanent	-	-	102,049	102,049
Unreserved				
Designated for subsequent years' expenditures	245,492	303,928	-	549,420
Undesignated	(1,067)	(728,762)	-	(729,829)
Total fund equity	<u>436,351</u>	<u>(424,834)</u>	<u>102,049</u>	<u>113,566</u>
Total liabilities and fund equity	<u>\$ 517,845</u>	<u>\$ 303,928</u>	<u>\$ 102,049</u>	<u>\$ 923,822</u>

See accompanying independent auditors' report and notes to financial statements.

## KITTERY SCHOOL DEPARTMENT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>				
Interest income	\$ -	\$ -	\$ 436	\$ 436
Other income	<u>925,472</u>	<u>-</u>	<u>1,275</u>	<u>926,747</u>
Total revenues	<u>925,472</u>	<u>-</u>	<u>1,711</u>	<u>927,183</u>
<b>TOTAL EXPENDITURES</b>				
Scholarships	-	-	3,003	3,003
Other	<u>936,877</u>	<u>730,030</u>	<u>55</u>	<u>1,666,962</u>
Total expenditures	<u>936,877</u>	<u>730,030</u>	<u>3,058</u>	<u>1,669,965</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(11,405)</u>	<u>(730,030)</u>	<u>(1,347)</u>	<u>(742,782)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	7,917	34,130	-	42,047
Operating transfers (out)	<u>(34,130)</u>	<u>(16,483)</u>	<u>-</u>	<u>(50,613)</u>
Total other financing sources (uses)	<u>(26,213)</u>	<u>17,647</u>	<u>-</u>	<u>(8,566)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>				
	(37,618)	(712,383)	(1,347)	(751,348)
FUND BALANCE, JULY 1	<u>473,969</u>	<u>287,549</u>	<u>103,396</u>	<u>864,914</u>
FUND BALANCE, JUNE 30	<u>\$436,351</u>	<u>\$(424,834)</u>	<u>\$ 102,049</u>	<u>\$ 113,566</u>

See accompanying independent auditors' report and notes to financial statements.

## Special Revenue Funds Description

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

KITTERY SCHOOL DEPARTMENT

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2010

	<u>Adult Education Regular</u>	<u>State Stabilization</u>	<u>ARRA Mainecare</u>	<u>Adult Education Family Litercy</u>	<u>Title IA</u>	<u>ARRA Title IA</u>
<b>ASSETS</b>						
Cash	\$ 1,776	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	68,989	-	-	10,545	41,118
Due from other funds	40,773	-	-	125	1,806	4,346
Total assets	<u>\$ 42,549</u>	<u>\$ 68,989</u>	<u>\$ -</u>	<u>\$ 125</u>	<u>\$ 12,351</u>	<u>\$ 45,464</u>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 1,657	\$ 11,475	\$ -	\$ -	\$ 1,472	\$ -
Due to other funds	-	37,933	600	-	-	-
Total liabilities	<u>1,657</u>	<u>49,408</u>	<u>600</u>	<u>-</u>	<u>1,472</u>	<u>-</u>
<b>FUND EQUITY</b>						
Fund balance:						
Unreserved						
Designated for subsequent years' expenditures	40,892	19,581	-	125	10,879	45,464
Undesignated	-	-	(600)	-	-	-
Total fund equity	<u>40,892</u>	<u>19,581</u>	<u>(600)</u>	<u>125</u>	<u>10,879</u>	<u>45,464</u>
Total liabilities and fund equity	<u>\$ 42,549</u>	<u>\$ 68,989</u>	<u>\$ -</u>	<u>\$ 125</u>	<u>\$ 12,351</u>	<u>\$ 45,464</u>

KITTERY SCHOOL DEPARTMENT

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2010

	<u>Traip Trustees</u>	<u>E-Rate</u>	<u>Healthy Maine Partnership</u>	<u>Local Entitlement</u>	<u>PreSchool</u>	<u>Title IID Equipment</u>
<b>ASSETS</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	13,808	-	3,847	-
Due from other funds	-	21,052	-	17,739	911	1,225
Total assets	<u>\$ -</u>	<u>\$ 21,052</u>	<u>\$ 13,808</u>	<u>\$ 17,739</u>	<u>\$ 4,758</u>	<u>\$ 1,225</u>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 233	\$ -	\$ 340	\$ 3,967	\$ -	\$ -
Due to other funds	2,118	-	11,584	-	-	-
Total liabilities	<u>2,351</u>	<u>-</u>	<u>11,924</u>	<u>3,967</u>	<u>-</u>	<u>-</u>
<b>FUND EQUITY</b>						
Fund balance:						
Unreserved						
Designated for subsequent years' expenditures	-	21,052	-	13,772	4,758	1,225
Undesignated	(2,351)	-	1,884	-	-	-
Total fund equity	<u>(2,351)</u>	<u>21,052</u>	<u>1,884</u>	<u>13,772</u>	<u>4,758</u>	<u>1,225</u>
Total liabilities and fund equity	<u>\$ -</u>	<u>\$ 21,052</u>	<u>\$ 13,808</u>	<u>\$ 17,739</u>	<u>\$ 4,758</u>	<u>\$ 1,225</u>

KITTERY SCHOOL DEPARTMENT

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2010

	<u>Adult Ed Family Literacy</u>	<u>Title II Teacher Quality</u>	<u>Unfunded Liabilities Reserve</u>	<u>Drug Free Schools</u>	<u>Melmac Grant</u>	<u>Odyssey of the Mind</u>
<b>ASSETS</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	13,000	-	-	-	-
Due from other funds	39	11,530	15,000	2,000	18,706	3,644
Total assets	<u>\$ 39</u>	<u>\$ 24,530</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 18,706</u>	<u>\$ 3,644</u>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 37	\$ -	\$ -	\$ -	\$ 380	\$ -
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>37</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>380</u>	<u>-</u>
<b>FUND EQUITY</b>						
Fund balance:						
Designated for subsequent years' expenditures	2	24,530	15,000	2,000	18,326	3,644
Undesignated	-	-	-	-	-	-
Total fund equity	<u>2</u>	<u>24,530</u>	<u>15,000</u>	<u>2,000</u>	<u>18,326</u>	<u>3,644</u>
Total liabilities and fund equity	<u>\$ 39</u>	<u>\$ 24,530</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 18,706</u>	<u>\$ 3,644</u>

KITTERY SCHOOL DEPARTMENT

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2010

	<u>ARRA Local Entitlement</u>	<u>ARRA Preschool</u>	<u>ARRA Title IID</u>	<u>Lost Library Books</u>	<u>Gate Receipts</u>	<u>District Workshop</u>	<u>Community Wellness</u>
<b>ASSETS</b>							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-	-
Due from other funds	57,177	547	1,939	967	1,253	5,334	2,337
Total assets	<u>\$ 57,177</u>	<u>\$ 547</u>	<u>\$ 1,939</u>	<u>\$ 967</u>	<u>\$ 1,253</u>	<u>\$ 5,334</u>	<u>\$ 2,337</u>
<b>LIABILITIES AND FUND EQUITY</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 9,036	\$ -	\$ 87	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>9,036</u>	<u>-</u>	<u>87</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND EQUITY</b>							
Fund balance:							
Designated for subsequent years' expenditures	48,141	547	1,852	967	1,253	5,334	2,337
Undesignated	-	-	-	-	-	-	-
Total fund equity	<u>48,141</u>	<u>547</u>	<u>1,852</u>	<u>967</u>	<u>1,253</u>	<u>5,334</u>	<u>2,337</u>
Total liabilities and fund equity	<u>\$ 57,177</u>	<u>\$ 547</u>	<u>\$ 1,939</u>	<u>\$ 967</u>	<u>\$ 1,253</u>	<u>\$ 5,334</u>	<u>\$ 2,337</u>

KITTERY SCHOOL DEPARTMENT

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2010

	<u>Excellence In School</u>	<u>Special Education Reserve</u>	<u>Unemployment Fund</u>	<u>Technology Reserve</u>	<u>Misc. Grants</u>	<u>Totals</u>
<b>ASSETS</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,776
Accounts receivable	-	-	-	-	-	151,307
Due from other funds	2,000	104,950	40,057	6,500	2,805	364,762
Total assets	<u>\$ 2,000</u>	<u>\$ 104,950</u>	<u>\$ 40,057</u>	<u>\$ 6,500</u>	<u>\$ 2,805</u>	<u>\$ 517,845</u>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 575	\$ -	\$ -	29,259
Due to other funds	-	-	-	-	-	52,235
Total liabilities	<u>-</u>	<u>-</u>	<u>575</u>	<u>-</u>	<u>-</u>	<u>81,494</u>
<b>FUND EQUITY</b>						
Fund balance:						
Designated for subsequent years' expenditures	2,000	104,950	39,482	6,500	2,805	437,418
Undesignated	-	-	-	-	-	(1,067)
Total fund equity	<u>2,000</u>	<u>104,950</u>	<u>39,482</u>	<u>6,500</u>	<u>2,805</u>	<u>436,351</u>
Total liabilities and fund equity	<u>\$ 2,000</u>	<u>\$ 104,950</u>	<u>\$ 40,057</u>	<u>\$ 6,500</u>	<u>\$ 2,805</u>	<u>\$ 517,845</u>

See accompanying independent auditors' report and notes to financial statements

KITTERY SCHOOL DEPARTMENT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Adult Education Regular</u>	<u>State Stabilization</u>	<u>ARRA Mainecare</u>	<u>Adult Education Family Litercy</u>	<u>Title IA</u>	<u>ARRA Title IA</u>
REVENUES	<u>\$ 127,725</u>	<u>\$ 106,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,179</u>	<u>\$ 59,005</u>
EXPENDITURES	<u>142,131</u>	<u>189,310</u>	<u>8,925</u>	<u>-</u>	<u>105,623</u>	<u>13,541</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(14,406)</u>	<u>(83,008)</u>	<u>(8,925)</u>	<u>-</u>	<u>4,556</u>	<u>45,464</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	7,917	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(6,489)</u>	<u>(83,008)</u>	<u>(8,925)</u>	<u>-</u>	<u>4,556</u>	<u>45,464</u>
FUND BALANCE, JULY 1	<u>47,381</u>	<u>102,589</u>	<u>8,325</u>	<u>125</u>	<u>6,323</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 40,892</u>	<u>\$ 19,581</u>	<u>\$ (600)</u>	<u>\$ 125</u>	<u>\$ 10,879</u>	<u>\$ 45,464</u>

KITTERY SCHOOL DEPARTMENT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Traip Trustees</u>	<u>E-Rate</u>	<u>Healthy Maine Partnership</u>	<u>Local Entitlement</u>	<u>PreSchool</u>	<u>ARRA Title IID Equipment</u>
REVENUES	<u>\$ 11,393</u>	<u>\$ 6,770</u>	<u>\$ 36,966</u>	<u>\$ 236,002</u>	<u>\$ 3,847</u>	<u>\$ 1,225</u>
EXPENDITURES	<u>13,744</u>	<u>960</u>	<u>37,052</u>	<u>235,311</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,351)</u>	<u>5,810</u>	<u>(86)</u>	<u>691</u>	<u>3,847</u>	<u>1,225</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(2,351)</u>	<u>5,810</u>	<u>(86)</u>	<u>691</u>	<u>3,847</u>	<u>1,225</u>
FUND BALANCE, JULY 1	<u>-</u>	<u>15,242</u>	<u>1,970</u>	<u>13,081</u>	<u>911</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ (2,351)</u>	<u>\$ 21,052</u>	<u>\$ 1,884</u>	<u>\$ 13,772</u>	<u>\$ 4,758</u>	<u>\$ 1,225</u>

KITTERY SCHOOL DEPARTMENT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Adult Ed Family Literacy</u>	<u>Title II Teacher Quality</u>	<u>Unfunded Liabilities Reserve</u>	<u>Drug Free Schools</u>	<u>Melmac Grant</u>	<u>Odyssey of the Mind</u>
REVENUES	<u>\$ 11,214</u>	<u>\$ 47,231</u>	<u>\$ -</u>	<u>\$ 3,629</u>	<u>\$ -</u>	<u>\$ 15,239</u>
EXPENDITURES	<u>11,212</u>	<u>38,280</u>	<u>-</u>	<u>1,629</u>	<u>8,333</u>	<u>15,142</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2</u>	<u>8,951</u>	<u>-</u>	<u>2,000</u>	<u>(8,333)</u>	<u>97</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>2</u>	<u>8,951</u>	<u>-</u>	<u>2,000</u>	<u>(8,333)</u>	<u>97</u>
FUND BALANCE, JULY 1	<u>-</u>	<u>15,579</u>	<u>15,000</u>	<u>-</u>	<u>26,659</u>	<u>3,547</u>
FUND BALANCE, JUNE 30	<u>\$ 2</u>	<u>\$ 24,530</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 18,326</u>	<u>\$ 3,644</u>

KITTERY SCHOOL DEPARTMENT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>ARRA Local Entitlement</u>	<u>ARRA Preschool</u>	<u>ARRA Title IID</u>	<u>Lost Library Books</u>	<u>Gate Receipts</u>	<u>District Workshop</u>	<u>Community Wellness</u>
REVENUES	\$ 131,799	\$ 2,211	\$ 3,010	\$ 136	\$ 2,165	\$ -	\$ -
EXPENDITURES	83,658	1,664	1,158	-	4,332	503	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	48,141	547	1,852	136	(2,167)	(503)	-
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	48,141	547	1,852	136	(2,167)	(503)	-
FUND BALANCE, JULY 1	-	-	-	831	3,420	5,837	2,337
FUND BALANCE, JUNE 30	<u>\$ 48,141</u>	<u>\$ 547</u>	<u>\$ 1,852</u>	<u>\$ 967</u>	<u>\$ 1,253</u>	<u>\$ 5,334</u>	<u>\$ 2,337</u>

KITTERY SCHOOL DEPARTMENT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Excellence In School</u>	<u>Special Education Reserve</u>	<u>Unemployment Fund</u>	<u>Technology Reserve</u>	<u>Misc. Grants</u>	<u>Totals</u>
REVENUES	\$ -	\$ -	\$ 136	\$ -	\$ 9,288	\$925,472
EXPENDITURES	-	-	7,736	-	16,633	936,877
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(7,600)	-	(7,345)	(11,405)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	-	-	7,917
	-	(34,130)	-	-	-	(34,130)
TOTAL OTHER FINANCING SOURCES (USES)	-	(34,130)	-	-	-	(26,213)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	-	(34,130)	(7,600)	-	(7,345)	(37,618)
FUND BALANCE, JULY 1	2,000	139,080	47,082	6,500	10,150	473,969
FUND BALANCE, JUNE 30	<u>\$ 2,000</u>	<u>\$ 104,950</u>	<u>\$ 39,482</u>	<u>\$ 6,500</u>	<u>\$ 2,805</u>	<u>\$436,351</u>

See accompanying independent auditors' report and notes to financial statements.

## Capital Projects Fund

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

## KITTERY SCHOOL DEPARTMENT

## COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS

JUNE 30, 2010

	<u>School Maintenance Reserve</u>	<u>Shapleigh Middle School</u>	<u>Revolving Renovations Infrastructure</u>	<u>Mitchell/ Shapleigh Bldg Project</u>	<u>Total</u>
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-
Due from other funds	303,928	-	-	-	303,928
Total assets	<u>\$ 303,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,928</u>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 169,077	\$ 169,077
Due to other funds	-	-	-	33,625	33,625
Bond anticaption note	-	-	-	526,060	526,060
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>728,762</u>	<u>728,762</u>
<b>FUND EQUITY</b>					
Fund balance:					
Designated for subsequent years' expenditures	303,928	-	-	-	303,928
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>(728,762)</u>	<u>(728,762)</u>
Total fund equity	<u>303,928</u>	<u>-</u>	<u>-</u>	<u>(728,762)</u>	<u>(424,834)</u>
Total liabilities and fund equity	<u>\$ 303,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,928</u>

See accompanying independent auditors' report and notes to financial statements

## KITTERY SCHOOL DEPARTMENT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>School Maintenance Reserve</u>	<u>Shapleigh Middle School</u>	<u>Revolving Renovations Infrastructure</u>	<u>Mitchell/ Shapleigh Bldg Project</u>	<u>Total</u>
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	1,268	-	728,762	730,030
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,268)	-	(728,762)	(730,030)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	34,130	-	-	-	34,130
Operating Transfers Out	(15,061)	-	(1,422)	-	(16,483)
TOTAL OTHER FINANCING SOURCES (USES)	19,069	-	(1,422)	-	17,647
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	19,069	(1,268)	(1,422)	(728,762)	(712,383)
FUND BALANCE, JULY 1	284,859	1,268	1,422	-	287,549
FUND BALANCE, JUNE 30	<u>\$ 303,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (728,762)</u>	<u>\$ (424,834)</u>

See accompanying independent auditors' report and notes to financial statements.

### Permanent Funds Description

Permanent funds are used to account for assets held by the Kittery School Department in trust or as an agent for individuals, private organizations, other governmental units and/or other funds.

KITTERY SCHOOL DEPARTMENT

COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS  
JUNE 30, 2010

	<u>Dorothy Gherson Scholarship</u>	<u>Constance Samuels Scholarship</u>	<u>Rebecca Kelso Scholarship</u>	<u>Bob Whitten Scholarship</u>	<u>Joanne Reams</u>	<u>Geraldine Chase</u>
<b>ASSETS</b>						
Cash	\$ 1,215	\$ 89,075	\$ 1,281	\$ 5,558	\$ 301	\$ -
Investments	-	-	-	-	-	-
Total assets	<u>\$ 1,215</u>	<u>\$ 89,075</u>	<u>\$ 1,281</u>	<u>\$ 5,558</u>	<u>\$ 301</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES</b>						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND EQUITY</b>						
Fund balance						
Designated for subsequent years' expenditures	1,215	89,075	1,281	5,558	301	-
Undesignated	-	-	-	-	-	-
Total fund equity	<u>1,215</u>	<u>89,075</u>	<u>1,281</u>	<u>5,558</u>	<u>301</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 1,215</u>	<u>\$ 89,075</u>	<u>\$ 1,281</u>	<u>\$ 5,558</u>	<u>\$ 301</u>	<u>\$ -</u>

KITTERY SCHOOL DEPARTMENT

COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS  
JUNE 30, 2010

	<u>Clayton Marston Scholarship</u>	<u>William Dennett</u>	<u>Marcia Berry Scholarship</u>	<u>Warren Seward Scholarship</u>	<u>Total</u>
<b>ASSETS</b>					
Cash	\$ 833	\$ 1,474	\$ 11	\$ 2,301	\$ 102,049
Investments	-	-	-	-	-
Total assets	<u>\$ 833</u>	<u>\$ 1,474</u>	<u>\$ 11</u>	<u>\$ 2,301</u>	<u>\$ 102,049</u>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND EQUITY</b>					
Fund balance					
Designated for subsequent years' expenditures	833	1,474	11	2,301	102,049
Undesignated	-	-	-	-	-
Total fund equity	<u>833</u>	<u>1,474</u>	<u>11</u>	<u>2,301</u>	<u>102,049</u>
Total liabilities and fund equity	<u>\$ 833</u>	<u>\$ 1,474</u>	<u>\$ 11</u>	<u>\$ 2,301</u>	<u>\$ 102,049</u>

See accompanying independent auditors' report and notes to financial statements.

KITTERY SCHOOL DEPARTMENT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Dorothy Gherson Scholarship</u>	<u>Constance Samuels Scholarship</u>	<u>Rebecca Kelso Scholarship</u>	<u>Bob Whitten Scholarship</u>	<u>Joanne Reams</u>	<u>Geraldine Chase</u>
REVENUES						
Interest income	\$ 1	\$ 408	\$ 1	\$ 11	\$ -	\$ 2
Other income	-	-	1,275	-	-	-
Total revenues	<u>1</u>	<u>408</u>	<u>1,276</u>	<u>11</u>	<u>-</u>	<u>2</u>
EXPENDITURES						
Scholarships	-	-	1,500	-	-	1,003
Other	-	-	55	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>1,555</u>	<u>-</u>	<u>-</u>	<u>1,003</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1</u>	<u>408</u>	<u>(279)</u>	<u>11</u>	<u>-</u>	<u>(1,001)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>1</u>	<u>408</u>	<u>(279)</u>	<u>11</u>	<u>-</u>	<u>(1,001)</u>
FUND BALANCE, JULY 1	<u>1,214</u>	<u>88,667</u>	<u>1,560</u>	<u>5,547</u>	<u>301</u>	<u>1,001</u>
FUND BALANCE, JUNE 30	<u>\$ 1,215</u>	<u>\$ 89,075</u>	<u>\$ 1,281</u>	<u>\$ 5,558</u>	<u>\$ 301</u>	<u>\$ -</u>

KITTERY SCHOOL DEPARTMENT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Clayton Marston Scholarship</u>	<u>William Dennett</u>	<u>Marcia Berry Scholarship</u>	<u>Warren Seward Scholarship</u>	<u>Total</u>
REVENUES					
Interest income	\$ 3	\$ 6	\$ -	\$ 4	\$ 436
Other income	-	-	-	-	1,275
Total revenues	<u>3</u>	<u>6</u>	<u>-</u>	<u>4</u>	<u>1,711</u>
EXPENDITURES					
Scholarships	500	-	-	-	3,003
Other	-	-	-	-	55
Total expenditures	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,058</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(497)</u>	<u>6</u>	<u>-</u>	<u>4</u>	<u>(1,347)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(497)	6	-	4	(1,347)
FUND BALANCE, JULY 1	<u>1,330</u>	<u>1,468</u>	<u>11</u>	<u>2,297</u>	<u>103,396</u>
FUND BALANCE, JUNE 30	<u>\$ 833</u>	<u>\$ 1,474</u>	<u>\$ 11</u>	<u>\$ 2,301</u>	<u>\$ 102,049</u>

See accompanying independent auditors' report and notes to financial statements

## General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets.

## KITTERY SCHOOL DEPARTMENT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2010

	<b>Land and Non-depreciable Assets</b>	<b>Buildings, Building Improvements &amp; Land Improvements</b>	<b>Furniture, Fixtures, Equipment &amp; Vehicles</b>	<b>Infrastructure</b>	<b>Total</b>
School Wide	\$ 774,168	\$ 18,708,720	\$ 520,995	\$ -	\$ 20,003,883
Food Service	-	-	98,255	-	98,255
Total General Capital Assets	774,168	18,708,720	619,250	-	20,102,138
Less: Accumulated Depreciation	-	(11,708,404)	(363,667)	-	(12,072,071)
Net General Capital Assets	<u>\$ 774,168</u>	<u>\$ 7,000,316</u>	<u>\$ 255,583</u>	<u>\$ -</u>	<u>\$ 8,030,067</u>

See accompanying independent auditors' report and notes to financial statements.

KITTERY SCHOOL DEPARTMENT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Capital Assets 7/1/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital Assets 6/30/10</u>
School Wide	\$ 22,054,304	\$ 849,548	\$(2,899,969)	\$ 20,003,883
Food Service	98,255	-	-	98,255
Total General Capital Assets	<u>22,152,559</u>	<u>849,548</u>	<u>(2,899,969)</u>	<u>20,102,138</u>
Less: Accumulated Depreciation	<u>(13,296,565)</u>	<u>(926,466)</u>	<u>2,150,960</u>	<u>(12,072,071)</u>
Net General Capital Assets	<u>\$ 8,855,994</u>	<u>\$ (76,918)</u>	<u>\$ (749,009)</u>	<u>\$ 8,030,067</u>

See accompanying independent auditors' report and notes to financial statements.



*Proven Expertise and Integrity*

INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

November 19, 2010

Kittery School Committee  
Kittery School Department  
Kittery, Maine

We have audited the financial statements of Kittery School Department for the year ended June 30, 2010 and have issued our report thereon dated November 19, 2010. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place, and have reviewed the annual financial report that was submitted to the Department for accuracy. In addition we have reviewed quarterly EF-U-415 reports for the year ended June 30, 2010 and the Department's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, the Kittery School Department complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Kittery School Department was in noncompliance with, or in violation of, those provisions.

Management has determined that adjustments were necessary to the fiscal books of the Department and have attached the following schedule as it relates to the reconciliation of audit adjustments to the initial annual financial data submitted to the MEDMS financial system maintained at the Department.

This report is intended solely for the information of the School Committee, management and the Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

*RHR Smith & Company*

Certified Public Accountants

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KITTERY SCHOOL DEPARTMENT

RECONCILIATION OF MEDMS ANNUAL REPORT TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund (100)	Special Revenue Funds (200)	Capital Projects Fund (300)	Totals
June 30 balance per MEDMS financial system	\$ (537,953)	\$ 168,452	\$ 203,820	\$ (165,681)
<b>Revenue Adjustments:</b>				
Net Income(loss)	382,126	(37,618)	(712,383)	(367,875)
<b>Expenditure Adjustments:</b>				
<b>Other adjustments:</b>				
Beginning balances not reported on MEDMS	756,113	473,969	287,549	1,517,631
Amounts reported on MEDMS (Posted activity in FB)	537,953	(168,452)	(203,820)	165,681
Audited GAAP Basis Fund balance June 30	<u>\$ 1,138,239</u>	<u>\$ 436,351</u>	<u>\$ (424,834)</u>	<u>\$ 1,149,756</u>